



Highlights of [GAO-07-453T](#), a testimony before the Committee on Oversight and Government Reform, House of Representatives

## Why GAO Did This Study

In January 2003, GAO designated the Department of Homeland Security's (DHS) implementation and transformation as high risk because of the size and complexity of the effort and the existing challenges faced by the components being merged into the department. The success of the effort to integrate numerous agencies and organizations into one cabinet-level department rests in large part on DHS's ability to effectively acquire the wide range of goods and services it needs to achieve its mission of protecting the nation from terrorism.

DHS is undertaking a number of large, complex investments as the federal government increasingly relies on contractors for roles and missions previously performed by government employees. One of the department's largest investments—the Deepwater program, now estimated to cost \$24 billion—is the Coast Guard's major effort to replace or modernize its aircraft and vessels. Rather than using a traditional acquisition approach, the Coast Guard is using a system integrator to design, construct, deploy, support, and integrate the Deepwater assets.

Today, I would like to discuss (1) the overarching challenges DHS faces in establishing an effective acquisition organization, (2) GAO's prior work on Coast Guard and contractor management of the Deepwater program, and (3) the status of GAO's ongoing reviews.

[www.gao.gov/cgi-bin/getrpt?GAO-07-453T](http://www.gao.gov/cgi-bin/getrpt?GAO-07-453T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Steve Caldwell at (202) 512-9610 or [caldwells@gao.gov](mailto:caldwells@gao.gov) or John Hutton at (202) 512-7773 or [huttonj@gao.gov](mailto:huttonj@gao.gov).

## HOMELAND SECURITY

# Observations on the Department of Homeland Security's Acquisition Organization and on the Coast Guard's Deepwater Program

## What GAO Found

GAO has reported in the past on acquisition management at several components of DHS and has assessed the department's overall acquisition management and oversight efforts. A common theme in these reports is DHS's struggle, from the outset, to provide adequate support to its mission components in acquiring goods and services and to provide departmentwide oversight of its acquisition function. DHS has a stated goal of integrating the acquisition function more broadly across the department. GAO has reported that this goal has not yet been accomplished and has identified key impediments to achieving it. A management directive intended to integrate the acquisition line of business did not provide the Chief Procurement Officer with the enforcement authority needed in practice, and it does not pertain to all component agencies. Also, the procurement organizations within the department remained somewhat autonomous, and centralized acquisition oversight had not been implemented. While DHS's review process for major investments adopts some best practices, key decision-making reviews at certain points are not required. Investments that are not reviewed at the appropriate points can face a range of problems—such as redesign—resulting in significant cost increases and schedule delays.

The Coast Guard's Deepwater program illustrates problems that can occur when effective program management and contractor oversight are not in place. In 2001, GAO described the Deepwater project as "risky" due to the unique, untried acquisition strategy for a project of this magnitude within the Coast Guard—a system-of-systems approach with the contractor as the integrator. In 2004, GAO reported that well into the contract's second year, key components needed to manage the program and oversee the system integrator's performance had not been effectively implemented. For example, integrated product teams, comprised of government and contractor employees, are the Coast Guard's primary tool for managing the program and overseeing the contractor. GAO found that the teams had not been effective due to changing membership, understaffing, insufficient training, lack of authority for decision-making, and inadequate communication among members. GAO also reported that, despite documented problems in schedule, performance, cost control, and contract administration throughout the first year of the Deepwater contract, the contractor had received a rating of 87 percent, which fell in the "very good" range and resulted in an award fee of \$4.0 million. GAO's more recent work found that, while the Coast Guard had taken steps to address some of the problems, concerns remained about program management and contractor oversight. In addition to these overall management issues, there have been problems with the design and performance of specific Deepwater assets.

Given the size of DHS and the scope of its acquisitions, GAO is continuing to assess the department's acquisition oversight process and procedures in ongoing work. GAO is also currently reviewing the status of the Deepwater program's implementation and contractor oversight.